

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Examine the
Commission's Future Energy Efficiency Policies,
Administration, and Programs.

Rulemaking 01-08-028
(Filed August 23, 2001)

**ASSIGNED COMMISSIONER'S RULING PROPOSING
DIRECTION AND SCOPE FOR FURTHER RULEMAKING**

I. Summary

This ruling proposes a direction and scope for further progress in this rulemaking, in the context of and consistent with the California Energy Action Plan (EAP) adopted by the California Public Utilities Commission (CPUC), the California Energy Commission (CEC), and the California Consumer Power and Conservation Financing Authority (CPA).¹ The EAP emphasizes energy conservation and resource efficiency as a first priority for California's energy policy, with the goals of:

1. Decreasing per capita energy consumption in California;
2. Improving building energy efficiency standards by 5 percent; and
3. Improving air conditioner efficiency by 10 percent above federal standards.

The Energy Action Plan recognizes that energy efficiency programs are among the most important tools available to California in meeting these goals. This ruling addresses the CPUC's role in meeting the energy efficiency goals

¹ A copy of the complete Energy Action Plan is available for downloading on the CPUC website at www.cpuc.ca.gov.

embodied in the Energy Action Plan. This ruling provides the process and schedule for addressing the following topics, which are designed to further the Commission's energy efficiency goals:

- Redesigning an energy efficiency policy framework that integrates the CPUC's energy efficiency programs with utilities' resource procurement, demand response, and similar programs administered by entities outside the jurisdiction of the CPUC, including the CEC, CPA, municipal utilities, and the private sector. This framework will include setting specific statewide goals for meeting the energy efficiency targets in the EAP, and for all programs under the jurisdiction of the CPUC, including a robust plan for measurement and evaluation of those programs;
- Addressing the question of long-term program administration (once and for all); and
- Selecting 2004-2005 energy efficiency programs.

In addition, in this ruling I propose that the 2004-2005 round of funding for energy efficiency programs be for a two-year cycle, so that planning and execution can be carried out with some measure of stability while the larger issues of the overall goals and future of energy efficiency programs are considered and determined by this Commission. I intend to bring a decision before the full Commission regarding the schedule and criteria for considering 2004-2005 programs no later than August 21, 2003. This is an interim step. I will be proposing that this Commission move to a funding cycle of 3-5 years as part of an integrated, long-term energy efficiency plan.

II. An Integrated Energy Efficiency Policy Framework

A. Framework Elements

California is already a national and international leader in energy efficiency. We must now develop a robust, integrated policy framework in which California can learn from and institutionalize the advances we have made in energy efficiency in the last few years, and, most importantly, facilitate further innovation and progress. This will be a complex challenge, requiring us to address at least the elements listed below:

- Vision/Goals;
- Integration with procurement-related activities;
- Policy rules and strategies;
- Creating performance incentives and removing disincentives;
- Role of evaluation; and
- Integration and coordination of CPUC activities with those of other jurisdictions.

This ruling proposes to begin, as soon as possible, a formal public process to fully develop all of the elements of this integrated framework.

(1) Vision/Goals

The EAP already identifies reduction of energy use per capita as our overall, high-level goal. We must translate that mandate into real targets for kilowatt-hours of electricity savings, megawatts of peak demand savings, and therms of natural gas savings. In doing so, we face many important questions: How much of a reduction in per capita energy use is possible? Should the Commission set annual or cumulative targets? Over what time period should the Commission plan to meet the challenge? How do the energy efficiency goals

set by this Commission match up with goals for demand response and renewable energy investment? Can the Commission define the goal of energy efficiency to include air emission reduction in addition to energy savings? What is the net savings or cost to ratepayers of the energy efficiency goals set by this Commission? These and other questions will need to be considered comprehensively in order to meet the goals set out in the EAP. As a starting point, I offer the following proposals:

a. Meet 100% of demand growth with energy efficiency, demand response, and renewable resources.

The Commission should finalize the overall goal for energy efficiency in conjunction with other partners to the Energy Action Plan, and with the Legislature. As a step in that direction, the Commission should set policies that result in meeting 100% of California's energy demand growth over the next ten years through a combination of energy efficiency, demand response, and renewable generation resources.

California's demand for electricity is expected to grow by approximately 2% per year over the next ten years.² New generation resources are needed to retire an aging fleet of dirty and inefficient electric generation plants and provide a reserve margin of between 15-18%, as recommended in the EAP. The Renewable Portfolio Standard requires investor-owned utilities (IOUs) to expand renewable generation resources as part of procurement by 1% per year toward a total goal of 20% by 2017.³ The EAP proposes to accelerate achievement of that goal to 2010.

² CEC, "2002-2012 Electricity Outlook Report," February 2002.

³ Chapter 516, Statutes of 2002.

b. Set a statewide goal based on the overall potential for cost-effective energy efficiency.

In general, as stated in Decision (D.) 02-10-062, utilities are required to invest in all cost-effective energy efficiency and demand-side resources. In D.03-06-032, this Commission recently set a demand response goal of reducing peak demand by 880 megawatts in 2004 with an additional 5% of annual system peak demand by 2007. Demand response resources are addressed separately in Rulemaking (R.) 02-06-001 (rulemaking on demand response, dynamic pricing, and advanced metering). Rather than attempting to identify the “net short” needs for each utility that could be met through energy efficiency (which may be impossible given the potential overlap of procurement, renewable resources, and demand response programs), I propose that the Commission set a statewide goal based on the overall potential for cost-effective energy efficiency.

Recent studies have indicated that if California quadrupled its current investment in energy efficiency, we could achieve 6,000 megawatts of energy savings without exhausting the pool of energy efficiency resources available.⁴ I propose that the Commission begin by establishing goals in this proceeding that center on securing tangible, verifiable results toward achieving those potential energy savings as a means of meeting anticipated growth.

In 2001, according to CEC data, California consumed 7.4 megawatt hours (MWh) of electricity per capita. Given a population of approximately 33.9 million people, the state used 250 gigawatt hours (GWh) annually, and 69% (about 173 GWh) in IOU territories. If the state were to reduce electricity

⁴ See Xenergy, Inc., “California’s Secret Energy Surplus: The Potential for Energy Efficiency,” prepared for the Energy Foundation and the Hewlett Foundation, September 2002, p. A-2.

consumption by 1% per year per capita, while population is growing about 3% per year, our statewide energy savings goals would be approximately 3.5 GWh. This would mean approximately 2.4 GWh per year in savings in IOU territories, which is more than double the current annual savings achieved through public goods charge (PGC) funds expenditures alone. When combined with targets already set for demand response and renewable energy purchases, California IOUs could meet 100% of anticipated growth through a combination of energy efficiency, demand response, and renewable generation resources. This should be the Commission's goal.

A similar analysis will need to be done to estimate peak demand reduction targets as well as gas energy efficiency savings targets. This ruling directs the IOUs to calculate energy savings targets for their territories, assuming a 1% per year reduction in per capita electricity consumption and per capita natural gas consumption. Peak demand savings targets may be derived from electricity savings estimates. I will propose that the Commission use these estimates as a basis for our goal-setting inquiries in Fall 2003, as detailed in the following sections.

(2) Integration With Procurement-Related Activities

Integrating energy efficiency with utility procurement activities presumes that the utilities are portfolio managers of all resources capable of meeting customers' needs. For electricity needs on the supply side, utilities may own and operate their own power plants for delivery of electricity to their customers, or they may contract with other providers to deliver the required electricity. Each option is equally capable of delivering the resource. Similarly, on the demand

side, utilities may operate their own programs or they may contract with other providers to deliver energy savings to their customers.

Thus, I see the utilities as portfolio managers of a variety of programs targeted to various customer classes and types to deliver energy efficiency services. In addition, I see no distinction in ability to meet the goals, whether funding is authorized from PGC energy efficiency funds or out of utility procurement budgets. I also see no distinction in the reliability of the resource between a utility-operated program and one delivered by a non-utility entity. Therefore, I propose to treat all energy efficiency programs as an integrated portfolio to be authorized in this proceeding. I invite utilities and other parties to comment on whether they agree or disagree with this approach and why.

As stated above, my intent is to undertake a goal-setting exercise as soon as possible to determine aggressive but achievable goals for energy efficiency. I propose that the Commission set those goals in this proceeding, irrespective of the size of the annual PGC energy efficiency budget. Once the Commission has determined the appropriate goals, it may estimate the program costs required as part of the utility procurement authorization in order to meet the goals.

According to the current schedule in R.01-10-024, the Commission is scheduled to issue a decision authorizing utility short- and long-term procurement plans, including the funding for the energy efficiency components, by December 2003. This should give the Commission time to set energy efficiency goals and determine appropriate investment levels in this proceeding prior to the approval of the procurement plans.

(3) Policy Rules and Strategies

To assist the Commission in establishing quantitative goals, a formal planning process and framework for energy efficiency will need to be established. To do so, the Commission will need to establish both a baseline of current energy efficiency achievement, as well as look at the overall potential for energy efficiency to ascertain the maximum achievable potential. The Commission can then measure progress made in meeting energy efficiency goals against both the current baseline and against the maximum target. The Commission will also need to consider which target markets and what combination of energy efficiency program types can best achieve the established goals. Issues related to the targeting of energy efficiency programs in transmission-constrained areas and other related issues are also important for Commission review. The Commission also needs to establish a regular reporting process to ensure it is updated on progress made in achieving savings relative to the goals.

Finally, the Commission will need to review and refine a set of policy priorities and program selection criteria for the energy efficiency investment. D.01-11-066 adopted the Energy Efficiency Policy Manual containing the following policy priorities, in rank order of importance:

- Long-term annual energy (gas and electric) savings;
- Cost-effectiveness;
- Addressing market failures or barriers;
- Equity considerations;
- Electric peak demand savings;
- Innovation; and
- Synergies and coordination with programs run by other entities.

While I expect that the Commission will likely continue the same general set of priorities, the Commission may wish to focus on differing policy priorities and selection criteria for the varying types of programs authorized. These programs will likely include PGC-funded “hardware” installation and incentive-based programs, procurement-funded “hardware” programs, statewide marketing and outreach programs, and information-only programs. I would like parties’ input into the relative importance of each of the program priorities and selection issues described above, given changing current circumstances, as well as on whether the Commission should add other priorities.

(4) Creating Performance Incentives and Removing Disincentives

Eliminating disincentives for utility investment in energy efficiency and providing positive incentives for exemplary performance in energy savings are both vital to a successful energy efficiency portfolio. These ratemaking issues are appropriately addressed in a rate-setting proceeding such as the procurement proceeding. Further, addressing utility incentives for investment in energy efficiency in the context of total procurement strategies can promote an integrated and consistent incentive mechanism for investment in all types of preferred resources, including renewable energy, energy efficiency, and demand response. In addition, the Commission may also design and apply penalties, as appropriate, for nonperformance, based on the overall procurement portfolio. In response to D.02-10-062, San Diego Gas & Electric Company (SDG&E) already sponsored workshops and filed an initial proposal for the development of performance incentives. Thus, I propose the Commission consider ways to provide appropriate utility incentives in R.01-10-024, and not in this proceeding.

(5) Role of Evaluation

Once the Commission articulates program goals for reducing energy consumption, it will need rigorous measurement and evaluation activities in order to assess our progress towards meeting those goals. In addition, if the Commission decides to award incentives for superior performance in meeting or exceeding energy efficiency goals, the Commission will need assurance that the reported performance is accurate. In both instances, rigorous evaluation is necessary.

Prior to 1996, the Commission relied upon a strict set of measurement and evaluation protocols that were considered an industry model. Though some aspects of those protocols may require updating, I expect that the bulk of their provisions remain relevant. Therefore, in this proceeding, I propose that the Commission undertake a process to revive and revise the protocols for use in evaluating progress toward energy efficiency goals and justifying any applicable performance incentives.

I understand that the dual purposes of the evaluation, as summarized above, imply a different role for evaluators, as well as raise questions about the need for independent evaluation (as opposed to involving evaluators directly in program design and delivery). I believe the issue of who should evaluate energy efficiency program progress should be considered in the context of the administrative structure for energy efficiency programs (discussed in Section III of this ruling). In the meantime, I propose to leave the bulk of the evaluation responsibility with the utilities, subject to oversight from this Commission, and see no reason why work cannot begin now to update the measurement and evaluation protocols.

(6) Integration and Coordination of CPUC Activities with those of Other Jurisdictions

In order to meet the objectives stated above, California's energy efficiency policies must be integrated on a statewide basis, without regard to utility service territory or administering agency. The discussion in this ruling is focused at this time on utility service territories and programs under the jurisdiction of the CPUC. However, as part of an integrated plan, I intend to create a forum for coordination with other agencies, non-governmental entities, and the Legislature in the near future.

I propose that the Commission begin working now to integrate our resources for energy efficiency with those of other entities toward meeting these goals, including the following:

- Building codes and standards work of the CEC;
- Energy efficiency programs of municipal utilities;
- Private sector activities to promote energy efficiency;
- Distributed generation (both CPUC policies and programs, as well as those of the CEC);
- Demand response activities (utilities and CPA); and
- Research, development, and demonstration (primarily conducted by the CEC), as well as emphasizing emerging technologies to bridge the gap toward commercialization.

As stated above, I will begin a formal public process in the near future to develop all of the elements of this integrated framework, including a forum to coordinate CPUC activities with other agencies, non-governmental entities, and the Legislature.

B. Schedule

In order to develop the comprehensive framework for energy efficiency envisioned above, the Commission will need several months for parties to comment and for Commission review. Several evaluations of past programs are underway and should be available by mid-summer. The results of these evaluations should help the Commission set goals. I plan to conduct a workshop on this topic by September. Energy Division staff plan to request utility information that will facilitate analysis of their existing procurement proposals, in preparation for the integration of PGC and procurement-related energy efficiency activities.

In addition, I suggest that Southern California Edison Company (SCE), working with or through the California Measurement Advisory Council, facilitate a public process to revise the measurement and evaluation protocols that were in use prior to 1996. That process should be part of the utilities' proposals for evaluating 2004 and 2005 programs to be submitted with their program proposals.

My goal is for the Commission to issue an order by the end of the year outlining a new energy efficiency framework, articulating goals, setting policy priorities, updating the Policy Manual, authorizing programs for 2004 and 2005 (as described in more detail in Section IV below), and adopting an evaluation plan.

III. Long-Term Program Administration

A. Issues

The question of whether utilities should continue to be the primary administrators of energy efficiency programs has been creating uncertainty in the California energy efficiency community since at least 1996. The Commission is

committed to considering this question in this rulemaking. Assessments of this issue from around the country suggest that there is no perfect one-size-fits-all solution to this problem in any state or region. Rather, there are multiple solutions that work depending on the particular circumstances, goals, institutional arrangements, legal constraints, and other relevant factors.

The other question concerns the role of Commission staff in oversight or administration of energy efficiency programs and contracts. The Public Utilities Commission is a regulatory agency, not an administrative agency. As such, the Commission's regulatory functions, and the Commission's responsibility for providing independent oversight of all ratepayer-funded programs, are incompatible with administration of any of those programs or contracts on a long-term basis. Therefore, as we address the question of future administration, I will propose this Commission consider two main questions: what role, if any, the utilities play in administration of all or some portion of energy efficiency programs; and what role, if any, could be played by an independent entity in administering either all or some portion of energy efficiency programs?

B. Schedule

In order to ensure stability and continuity of worthwhile programs while the Commission makes a final determination on future administration, I propose that the Commission authorize new programs, as well as continuation of some existing programs, for 2004 and 2005 (two years). It is therefore my intention to bring a decision on the schedule and funding criteria for 2004-2005 energy efficiency programs before the full Commission by August 21, 2003. After consideration of comments from all parties on the proposals in this ruling, the Commission may decide to change the administration of 2004-2005 programs rather than maintain the current structure for two more years. At the conclusion

of this two-year cycle, the transition may be to a new administrator, or it may be back to a more rigorous regulation of utility administrators under a goal-setting and evaluation framework, as described in Section II of this ruling.

I intend for a more detailed ruling containing further proposals and a schedule for the portion of the proceeding addressing the overall energy efficiency policy framework to be issued by the end of Summer 2003. I will conduct a series of public workshops in Fall 2003 with another round of comments to follow. I propose to complete our investigation and the public process in order to bring a final decision on administrative structure before the full Commission no later than April 2004. This should allow time for any legislative action that may be necessary to codify changes to energy efficiency programs and/or administration.

IV. Selecting Energy Efficiency Programs for 2004-2005

A. 2004-2005 Programs

This ruling proposes that the Commission fund energy efficiency programs for two years to allow the Commission to focus on major policy issues in this rulemaking, as described above. For each program cycle, the Commission may adopt a different mix of programs depending on the types of programs proposed, how programs meet adopted criteria, and the potential for energy savings in relevant markets. In the past, the Commission has funded activities that fall into the following categories:

1. Statewide programs;
2. Local programs;
3. Statewide marketing and outreach; and
4. Market assessment and evaluation activities.

More detailed program descriptions are included in Attachment 1.

This ruling seeks the parties' comments on the following combination of energy efficiency programs to be funded for 2004 and 2005:

- Permit the utilities to propose the extension of their current statewide and local programs for an additional two years, through the end of 2005. The utilities should demonstrate that these programs are successful and the programs are still in demand by customers. The utilities may propose modifications designed to improve cost-effectiveness, administrative efficiency, or fulfill other program criteria. I also encourage the utility proposals to include partnerships and cooperative efforts with local governments and third parties wherever possible.
- Allow existing third party local program implementers to extend existing programs through the second quarter of 2004 using current approved funding levels. Program implementers would be allowed to commit all funds to specific purposes no later than March 31, 2004, and have until June 1, 2004 to complete all program activities, including final installations; evaluation, measurement and verification; and preparation of final reports. Final reports, including program evaluations, would be due on or before July 1, 2004. This extension would compensate for delays in program startup last year and permit implementers to use all authorized funds for additional program activities.
- Solicit new two-year program proposals for 2004 and 2005 from all interested third parties. Any party may submit a proposal for local and/or statewide programs.
- Solicit proposals for statewide marketing and outreach programs for 2004 through 2005 from utilities and other interested parties.
- Reserve public goods charge funding for market assessment and evaluation activities for 2004-2005 programs. As part of their program plans, the utilities would propose additional studies and activities to be completed during this time period.

B. 2004-2005 PGC Funding Allocation

This ruling proposes that the Commission continue funding for cost-effective programs implemented by parties other than utilities. The Commission allocated approximately 20% of total funds for such programs during 2002-2003. This ruling proposes that the Commission consider a range of 15-20% of PGC funds for 2004-2005, based on the number and cost of the most cost-effective and creative program proposals received. If utilities are able to partner with local governments and third parties in a substantial manner, I will recommend to the Commission that we reduce the amount of funding allocated to the non-utility solicitation. As it stands now, I recommend the funding allocation from PGC funds be as follows:

Category	SDG&E	SoCalGas	SCE	PG&E	Total	Percent
2004 and 2005 EE PGC Collections	\$37,500,000	\$53,990,000	\$180,000,000	\$240,956,000	\$512,446,000	
Utility Programs	\$26,250,000	\$37,793,000	\$126,000,000	\$168,669,200	\$358,712,200	70%
Statewide Marketing and Outreach	\$2,250,000	\$3,239,000	\$10,800,000	\$14,457,360	\$30,746,760	6%
Third Party Programs (maximum)	\$7,500,000	\$10,798,000	\$36,000,000	\$48,191,200	\$102,489,200	20%
Evaluation, Measurement and Verification	\$1,500,000	\$2,159,600	\$7,200,000	\$9,638,240	\$20,497,840	4%

Any funding authorized in the utility procurement plans would be over and above the PGC fund authorizations proposed above, and will be determined as outlined in Section II of this ruling.

C. Criteria and Policy Rules for 2004-2005 Program Selection

D.01-11-066 articulated the objectives of the Commission's energy efficiency programs and provided a Policy Manual that incorporates these goals and funding criteria. This ruling assumes that the Commission will select a

portfolio of programs consistent with these policy goals and objectives, while ensuring that the portfolio is cost-effective, provides comprehensive market coverage, and falls within specified budget parameters.

This ruling proposes that the Commission consider 2004-2005 program proposals on the basis of goals and criteria adopted in D.01-11-066 as follows:

1. Long-term annual energy (gas and electric) savings;
2. Cost –effectiveness;
3. Addressing market failures or barriers;
4. Equity considerations;
5. Electric peak demand savings;
6. Innovation; and
7. Synergies and coordination with programs run by other entities.

For statewide marketing and outreach programs, the criteria for selection have been articulated in D.02-03-056 and D.03-01-038. In addition, for all programs, the Commission should consider an entity's experience in implementing energy efficiency programs, as well as any demonstrated success at delivering programs during the previous program period, as criteria in program selection.

I request that the IOUs and other parties, in their response to this ruling, include recommendations for any changes needed to the existing Policy Manual. Finally, I expect that, based on experience gained during the prior round of funding for non-utility programs, there may be reason to amend/update the standard contract terms. IOUs and other parties should also comment on recommended revisions in response to this ruling. Energy Division and Legal Division staff of the Commission will take comments into account when revising the standard contract terms. Energy Division staff should post the new Policy

Manual and standard contract on the Commission's web site concurrently with (or before) the Commission decision requesting 2004-2005 program proposals, currently expected in late August.

D. Program Review Process and Schedule

Attachment 2 to this ruling sets forth the proposed process for parties to submit proposals and/or program plans for 2004-2005 and the anticipated schedule for proposal submission and review. In general, both utilities and outside parties should submit proposals no later than September 22, 2003. Utilities should assume a budget of PGC funds only, at this point, as detailed in the table above, but should also indicate how they will allocate additional procurement funds requested in R.01-10-024, assuming their proposals are approved without modification. Should their budgets and/or goals need to be modified based on goal-setting for energy efficiency conducted in this proceeding, adjustments to procurement budgets may need to occur after September 22, 2003, which the Commission should take into account prior to issuing a final decision on funding allocations by the end of 2003.

IT IS RULED that:

1. The utilities shall, and other parties may, comment on the schedule and criteria for selecting 2004-2005 energy efficiency programs no later than July 15, 2003.
2. All other comments on the scope and schedule of this proceeding are due no later than August 1, 2003.
3. The utilities shall include in their August 1, 2003 comments on this ruling calculations of electricity, peak demand, and natural gas savings targets,

assuming a 1% per year reduction in per capita energy use, as discussed in this ruling.

4. The utilities shall, and other parties may, comment on any recommended updates or revisions to the Energy Efficiency Policy Manual adopted in D.01-11-066 and the standard contract terms and conditions for non-utility program implementers no later than August 1, 2003.

5. Pursuant to Commission Rule 77.7(g), the parties may agree to reduce or waive the 30 day public review and comment period relative to the draft decision issued in this proceeding. In order to allow the Commission sufficient time to analyze the parties' written comments and issue its decision on August 21, 2003, I request that the parties agree to the reduced comment schedule outlined above. Any party who objects to this proposal shall contact the Assigned Administrative Law Judge by July 11, 2003.

Dated July 3, 2003, at San Francisco, California.

/s/ SUSAN P. KENNEDY

Susan P. Kennedy
Assigned Commissioner

ATTACHMENT 1

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DESCRIPTIONS OF PROGRAM TYPES FROM DECISION 01-11-066

1. Statewide Programs

Statewide programs are those that are uniform, with consistent terms and requirements, throughout all utilities' service territories. These consistent terms should include identical application procedures, financial incentives, and other program implementation details.

A. Statewide Residential Programs

(1) Statewide Residential Retrofit

This program category targets energy savings in existing single-family and multi-family residential homes. Programs may include a full range of services, such as information, outreach, training, audits, and direct incentives for energy-efficient technologies. Alternatively, they may include one or more of these service elements.

a) Downstream Appliance, Lighting & HVAC Rebates

This program would provide rebates for purchases of the following technologies, individually, or in any combination:

1. Energy Star furnaces
2. Energy Star central air-conditioners
3. Energy Star room air-conditioners
4. Energy Star Compact Fluorescent Lamps
5. Whole house fans
6. Energy Star clothes washers
7. Energy Star dishwashers

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DESCRIPTIONS OF PROGRAM TYPES FROM DECISION 01-11-066

8. Energy Star windows
9. High efficiency hot water heaters.

(2) Comprehensive Residential Retrofits

This program includes installation of building shell energy efficiency measures, and other comprehensive treatments, including, but not limited to:

1. Insulation
2. Windows
3. Weather stripping
4. Duct sealing
5. Reflective roofing.

a) Appliance Retirement and Recycling

This program promotes refrigerator, freezer, and room air-conditioner recycling. Any appliance retirement program should offer comprehensive toxic material recycling and disposal in conformance with California environmental laws and regulations and permitting requirements.

(3) Statewide Residential New Construction

Proposals for new statewide residential new construction programs should set a benchmark above the current June 2001 Title 24 building code standards. Parties' proposals should incorporate the California Energy Commission's proposed code revisions in 2005. Because Title 24 standards exceed federal standards, the Energy Star Homes label itself may not be appropriate for a California residential new construction program, though the

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general approach may be. Parties should target a benchmark lower than Title 24 energy use levels.

B. Statewide Nonresidential Programs

(1) Statewide Nonresidential Retrofit

This program category promotes retrofits in all commercial building sectors. Programs may emphasize technical support, capacity-building, emerging technology demonstration, and quality assurance. Some examples of such programs are as follows.

a) Large and Medium Nonresidential Customized Program

Among the programs for large and medium nonresidential sectors are the Standard Performance Contract (SPC) program, customized rebates, and demand-side bidding programs. These programs offer incentives on the basis of verified energy savings, rather than by prescribing replacement of specific equipment.

b) Small Business Rebates

Customer rebates could be offered for the following technologies or others:

1. T8 and/or T5 lamps
2. Electronic ballasts
3. Lighting controls such as photocell controllers and occupancy sensors
4. Compact Fluorescent Lamps (CFLs)
5. High-efficiency motors,

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6. Heating, Ventilation, and Air conditioning (HVAC) measures.

c) Building Operator Certification and Training

Building operator certification and training programs would educate operators of large and medium commercial buildings, including public buildings, on short- and long-term peak demand and energy savings strategies for their buildings. After participating in training activities, individual building operators could become certified in efficient building operation.

(2) Statewide Nonresidential New Construction

Statewide nonresidential new construction programs should set a new benchmark above the Title 24 building code in consultation with the California Energy Commission and should support CEC's proposed 2005 code revisions. This type of program emphasizes incentives to incorporate energy savings measures during the design process rather than specifying applicable technologies.

C. Statewide Cross-Cutting Programs

A cross-cutting program may target both residential and non-residential customers or may support other programs in either retrofit or new construction markets. The following are examples of the types of programs.

(1) Statewide Marketing and Outreach

Statewide marketing and outreach programs may include information campaigns capitalizing on the success of the state's *Flex Your Power* campaign

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DESCRIPTIONS OF PROGRAM TYPES FROM DECISION 01-11-066

and advertise statewide programs offered across utility service territories. In addition, such programs may include upstream marketing and outreach to manufacturers and retailers.

(2) Upstream Appliance, Lighting and HVAC Rebates

By coordinating with manufacturers and distributors, upstream programs ensure that high-efficiency technologies are available in stores for purchase by residential and business consumers. Programs could include the following technologies (or others):

1. Energy Star furnaces
2. Energy Star central air conditioners
3. Energy Star room air conditioners
4. Energy Star CFLs
5. Whole house fans
6. Energy Star clothes washers
7. Energy Star dishwashers
8. High efficiency hot water heaters, and
9. Energy Star Windows.

2. Local Programs

Local programs may respond to local customer needs and take advantage of local relationships to increase participation.

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DESCRIPTIONS OF PROGRAM TYPES FROM DECISION 01-11-066

A. Local Residential Programs

Proposals may offer comprehensive outreach, financing, technical support, contractor facilitation and outreach, as well as quality assurance.

B Local Nonresidential Programs

Local programs may building on local relationships and networks to reach nonresidential customers. They may emphasize technical support, outreach, contractor referral and oversight, bulk procurement, financing, and quality assurance. Eligible energy efficiency measures should include high-efficiency lighting, HVAC, and refrigeration.

They may also promote energy efficiency in the industrial and agricultural sectors of the state. Proposals should emphasize technical support, financing, education and training/capability-building, and strong measurement and verification plans.

C. Local Cross-Cutting Programs

Local cross-cutting programs may target multiple sectors and/or both retrofit applications and new construction.

(1) Education/Training/Outreach

This program provides education, training and outreach in local communities. Such programs may build infrastructure and strengthen institutions in order to expand the capability for energy efficiency delivery. They may be targeted to community-based organizations.

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DESCRIPTIONS OF PROGRAM TYPES FROM DECISION 01-11-066

**(2) Building Codes and Standards
Support**

This program supports local efforts to inform and train builders, developers, building officials, and tradespersons on code and standards revisions.

(END OF ATTACHMENT 1)

ATTACHMENT 2

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PROCESS FOR PROGRAM PROPOSALS

Process for Submission and Selection of New Program Proposals

I propose that the Commission consider all proposals falling into relevant program categories and meeting program criteria. Proposals should follow the rules set forth in the Policy Manual to be amended by the Energy Division and published in August 2003 concurrent with the Decision to approve the solicitation process described herein. Appendix A (Program and Technical Proposal Format) and Appendix B (Program Cost Format), at a minimum, will be amended substantially from the version approved in D.01-11-066. The Energy Division will also issue detailed instructions for preparation and submission of proposals and post all relevant materials on the website at: <http://www.cpuc.ca.gov/static/industry/electric/energy+efficiency/rulemaking.htm>. Under this process, parties would be permitted to submit any number of proposals, however the cover page provided with the proposals should indicate whether and how many additional proposals are being submitted by the proposing entity or its affiliates.

I propose that the Commission delegate authority to its Energy Division to structure and implement the proposal review process and based upon that review to provide recommendations to the Commission regarding the selection of a program portfolio.

I expect that the deadlines for proposal submission and other pertinent dates will be formalized in the Decision that would approve the solicitation process proposed herein. The timeframe currently anticipated is for proposals to be due one month from approval of the Decision. Proposal instructions, forms and staff contact information, as mentioned above, will be available upon issuance of the Draft Decision on or about July 22, 2003.

Process for Submission of Utility (IOU) Program Plans

No later than September 8, 2003, I propose that the utilities file and serve their request for energy efficiency funding for 2004 and 2005 PGC funds, specifying energy savings, other targets, and detailed budgets for each statewide and local program proposed. The utilities shall submit separate plans for each program and include the following items:

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1. A completed Implementation Workbook, which follows the same format used for the program implementation plans for the 2003 programs. The Energy Division will send out a sample of the workbook to the utilities. Any party that wishes a copy shall send a request by e-mail to Tim Drew: zap@cpuc.ca.gov or call (415) 703-5618.
2. A Narrative that contains the following program plan and budget information, in the following order:
 - Title of individual program
 - Requested total budget
 - Brief description of the program (one page or less)
 - If the program differs from the 2003 program, a list and description of the proposed changes
 - If the program is the same as the 2003 program, demonstration that the 2003 program is successful and that demand for the services the program offers still exists at a high level
 - Energy and peak demand savings targets, as well as per-unit energy savings and unit-count projections, including quarterly performance goals that will result in reaching these targets
 - Results of cost-effectiveness calculations, for those programs in which energy savings will be measured (i.e., not information- or education-only programs)
 - For information-only programs with no energy savings targets, other objective measures for evaluating program progress
 - Hard-to-reach customer segment targets and quantifiable goals
 - Plans for coordination with other energy efficiency programs around the state – including those run by the filing utility, the other three utilities, local programs being administered by the utility, low income programs, or other energy efficiency programs with the potential for cooperative efforts
 - Procedures for responding to customer questions or complaints regarding the program, and for resolving program or performance disputes with program participants or customers

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2. Tables summarizing program portfolio and budgets for each utility
 - In developing their program plans and budgets for 2004 and 2005, each utility shall provide an accounting of the total amount of PGC funds available for its energy efficiency programs in 2004 and 2005. The utilities should include calculations of the expected electric and gas PGC collections for 2004 to 2005, as well as an accounting of any funds left over from previous years, including interest, that the utilities can carry over and budget for 2004 to 2005 programs.
 - Each utility shall also provide a summary table providing the following information for PY2003 and that proposed for PY2004 to PY2005: the allocation of their total program budgets to various program categories – i.e., statewide vs. local, residential retrofit/new construction, nonresidential retrofit/new construction, and cross-cutting programs; the energy savings targets associated with each program, and the cost effectiveness values for each program. The table should also include a statewide program total, a local program total, and a grand total. Finally, the table should provide a TRC ratio for the entire portfolio of programs proposed. Utilities should provide the background and work papers used in deriving these figures. This table should be presented in the same manner as that provided by the utilities in the response to the Energy Division's data request dated December 17, 2002 regarding PY2003 program filings.
 - Parties may file and serve comments on the utility plans no later than September 29, 2003, and reply comments no later than October 6, 2003.

Process for Submission of Request for Extension: Current Non-utility Local Programs

I propose that no later than September 8, 2003, existing non-utility local program implementers with unspent program funds may file and serve requests for no-cost extensions to their program contracts through the second quarter of 2004. Requests for extensions should be accompanied by a narrative describing the additional or previously planned but uncompleted activities, including energy savings and other performance targets, that will be undertaken in 2004.

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Upon receiving completed requests, the administering utility will execute contract extensions that will allow program implementers to execute commitments up to March 31, 2004. All program activities must be completed by June 1, 2004, including final installations; evaluation, measurement and verification; and preparation of final reports. Final reports, including program evaluations, would be due on or before July 1, 2004.

(END OF ATTACHMENT 2)

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ELECTRONIC SERVICE PROTOCOLS

Party Status in Commission Proceedings

These electronic service protocols are applicable to all “appearances.” In accordance with Commission practice, by entering an appearance at a prehearing conference or by other appropriate means, an interested party or protestant gains “party” status. A party to a Commission proceeding has certain rights that non-parties (those in “state service” and “information only” service categories) do not have. For example, a party has the right to participate in evidentiary hearings, file comments on a proposed decision, and appeal a final decision. A party also has the ability to consent to waive or reduce a comment period, and to challenge the assignment of an Administrative Law Judge (ALJ). Non-parties do not have these rights, even though they are included on the service list for the proceeding and receive copies of some or all documents.

Service of Documents by Electronic Mail

For the purposes of this proceeding, all appearances shall serve documents by electronic mail, and in turn, shall accept service by electronic mail.

Usual Commission practice requires appearances to serve documents not only on all other appearances but also on all non-parties in the state service category of the service list. For the purposes of this proceeding, appearances shall serve the information only category as well since electronic service minimizes the financial burden that broader service might otherwise entail.

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Notice of Availability

If a document, including attachments, exceeds 75 pages, parties may serve a Notice of Availability in lieu of all or part of the document, in accordance with Rule 2.3(c) of the Commission's Rules of Practice and Procedure.

Filing of Documents

These electronic service protocols govern service of documents only, and do not change the rules regarding the tendering of documents for filing.

Documents for filing must be tendered in paper form, as described in Rule 2, *et seq.*, of the Commission's Rules of Practice and Procedure. Moreover, all filings shall be served in hard copy (as well as e-mail) on the assigned ALJ.

Electronic Service Standards

As an aid to review of documents served electronically, appearances should follow these procedures:

- Merge into a single electronic file the entire document to be served (*e.g.*, title page, table of contents, text, attachments, service list).
- Attach the document file to an electronic note.
- In the subject line of the note, identify the proceeding number; the party sending the document; and the abbreviated title of the document.
- Within the body of the note, identify the word processing program used to create the document. (Commission experience indicates that most recipients can open readily documents sent in Microsoft Word or PDF formats)

If the electronic mail is returned to the sender, or the recipient informs the sender of an inability to open the document, the sender shall immediately

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arrange for alternative service (paper mail shall be the default, unless another means is mutually agreed upon).

Obtaining Up-to-Date Electronic Mail Addresses

The current service lists for active proceedings are available on the Commission's web page, www.cpuc.ca.gov. To obtain an up-to-date service list of e-mail addresses:

Choose "Proceedings" then "Service Lists."

- Scroll through the "Index of Service Lists" to the number for this proceeding.
- To view and copy the electronic addresses for a service list, download the comma-delimited file, and copy the column containing the electronic addresses.

The Commission's Process Office periodically updates service lists to correct errors or to make changes at the request of parties and non-parties on the list. Appearances should copy the current service list from the web page (or obtain paper copy from the Process Office) before serving a document.

Pagination Discrepancies in Documents Served Electronically

Differences among word-processing software can cause pagination differences between documents served electronically and print outs of the original. (If documents are served electronically in PDF format, these differences do not occur.) For the purposes of reference and/or citation in cross-examination and briefing, all parties should use the pagination found in the original document.

(END OF ATTACHMENT 3)

CERTIFICATE OF SERVICE

I certify that Mary Lou Tousey has by electronic mail, on 3 July, to the parties to which an electronic mail address has been provided, and this day I by mail this day served a true copy of the original attached Assigned Commissioner's Ruling Proposing Direction for Further Scope of the Rulemaking on all parties of record in this proceeding or their attorneys of record.

Dated July 7, 2003, at San Francisco, California.

/s/ REBECCA A. BACON

Rebecca A. Bacon

/s/ MARY LOU TOUSEY

Mary Lou Tousey

N O T I C E

Parties should notify the Process Office, Public Utilities Commission, 505 Van Ness Avenue, Room 2000, San Francisco, CA 94102, of any change of address to ensure that they continue to receive documents. You must indicate the proceeding number on the service list on which your name appears.

The Commission's policy is to schedule hearings (meetings, workshops, etc.) in locations that are accessible to people with disabilities. To verify that a particular location is accessible, call: Calendar Clerk (415) 703-1203.

If specialized accommodations for the disabled are needed, e.g., sign language interpreters, those making the arrangements must call the Public Advisor at (415) 703-2074, TTY 1-866-836-7825 or (415) 703-5282 at least three working days in advance of the event.